



July 14, 2006

Mr. David Ikari, Chief  
Dairy Marketing Branch  
California Department of Food and Agriculture  
560 J Street, Suite 150  
Sacramento, CA 95814

**RE: July 6, 2006 Transportation and Assembly Credits and – Post Hearing Brief:**

Mr. Hearing Officer and Members of the Panel:

Swiss Dairy appreciates the opportunity to submit the following post-hearing brief to amplify our testimony and clarify statements made to questions asked by the panel at July 6<sup>th</sup> 2006 in Sacramento, California.

Mr. Gossard asked a question concerning the impact on the pool for plant milk as opposed to ranch to plant milk. I stand behind my statement on record, but would like to further amplify a few things:

**1. Plant Assumptions**

To evaluate the impact on the pool for supplying milk to a plant in either plant-to-plant transfer versus ranch-to-plant requires the assumption that the plant can handle either. This assumption fails at Swiss. As the Department is well aware, we have a very streamlined operation—without the ability to separate and standardize—and therefore do not have the flexibility to handle ranch-to-plant milk as our sole supply.

**2. Sales Migration Assumption**

If the appropriate adjustment is not made to keep Swiss competitive, Swiss will lose sales. It would be convenient to assume that such would just mean another California operation, possibly another Dean operation, would pick up the business. I strongly believe that any sales losses from Swiss will be to out-of-state competitors rather than other California processors.

### **3. Credit Purpose**

The purpose is to ensure that Class 1 plants have a sufficient supply of milk. While we understand it needs to be economical, there are real-world limitations (see point #1). Furthermore, the need for Class 1 sales is critical to the success and survival of the California quota system. We believe it would be in the best interest of the overall program for a small degree of inefficiency to exist (and we do not concede that plant-to-plant movements are necessarily more inefficient when all costs are considered) to keep Class 1 sales in California.

To reiterate the point made both in my hearing testimony and in our May 1 meeting, if the Department insists on making structural changes to the transportation credit system—adjustments that negatively impact only one processor—then rational business planning becomes an impossible process.

Again, I really appreciate the Department's quick action to convene this hearing to address a very real impact to a prior decision. Know that we face stiff competition everyday from out-of-state and we don't need any more inequities created by California regulation. Please help us continue to utilize California milk in our California plants and be on a level footing to compete for California sales to benefit all California producers. We urge your support by adopting CDI's proposal.

We sincerely appreciate your consideration of our post-hearing brief.

Sincerely,

Steve James  
General Manager  
Swiss Dairy